

Message Text

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PAGE 01 QUITO 04567 111432Z

41

ACTION COME-00

INFO OCT-01 ARA-16 ISO-00 EB-11 DRC-01 RSC-01 L-03 AID-20

TRSE-00 XMB-07 FRB-02 CIEP-02 OPIC-12 CIAE-00 INR-10

NSAE-00 (ISO) W

----- 090610

R 111357Z JUL 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1708

INFO AMCONSUL GUAYAQUIL

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FOR COMMERCE/BIC/MEPD

E.O. 11652: N/A

TAGS: BEXP, EC

SUBJ: QUITO WATER TREATMENT PLANT: PROBLEMS OF THE U.S. CONTRACTOR

REF: QUITO 4483 AND PREVIOUS

1. SUMMARY. AMBASSADOR MET WITH CEBOR AND WESTINGHOUSE REPS JULY 9 AS SCHEDULED (SEE PARA 7 REFTEL) PRIOR THEIR MEETING LATER SAME DAY WITH QUITO MAYOR DURAN. AMBASSADOR EMPHASIZED IMPORTANCE TO US, TO WESTINGHOUSE, CEBOR AND MAYOR OF REACHING AGREEMENT. CEBOR REPORTED (COMATT ON LATER MEETING WITH MAYOR, SAYING MATERS NOW RELAXED, AGREED TO FURTHER DISCUSSION WITH MAYOR IN 60 DAYS, MEANWHILE WORK TO GO ON. EMBASSY STILL REQUESTS MATTER BE TAKEN UP WITH WESTINGHOUSE AND ALSO WITH U.S. DIRECTOR IDB. END SUMMARY.

2. ON JULY 9, AMBASSADOR, DCM AND COMATT MET WITH RIDLEY AND ALLAN LAMMON OF CEBOR, WITH JACK KNOX OF WESTINGHOUSE PRESENT. (MEMCON BEING POUCHED.) AFTER AMBASSADOR EXPLAINED OUR INTEREST IN CASE IN TERMS HISTORY OF AWARD AND GOOD NAME OF U.S. BUSINESS, RIDLEY EXPLAINED POSSIBLE \$2 MILLION LOSS FACED BY CEBOR AS RESULT RISING COSTS. HE
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PAGE 02 QUITO 04567 111432Z

SAID HE HAD EARLIER OFFERED MAYOR OPTION OF SELECTION A

NEW CONTRACTOR, IF QUITO GOVERNMENT COULD NOT FIND ANY WAY TO SHARE LOSS. HE SAID MAYOR HAD ASKED THAT CEBOR BRING CONCRETE PROPOSAL TO MEETING SCHEDULED LATER JULY 9, BUT CEBOR WOULD ONLY BE ABLE TO TEMPORIZE. CEBOR UNCLEAR AS TO POSITION IDB WOULD TAKE UNDER CIRCUMSTANCES. AMBASSADOR SAID HE WILLING REQUEST REPORT APPROPRIATE U.S. OFFICIALS IMPRESS ON U.S. IDB DIRECTOR NEED FOR SUFFICIENT BANK FLEXIBILITY TO HELP RESOLVE THIS ISSUE. AMBASSADOR AGAIN MADE CLEAR THAT BOTH WESTINGHOUSE AND MAYOR HAD GOOD REASON TO COME TO MUTUALLY ACCEPTABLE UNDERSTANDING.

3. RIDLEY MET AS SCHEDULED JULY 9 WITH QUITO MAYOR SIXTO DURAN BALLEEN. MEETING ALSO ATTENDED BY CEBOR LOCAL ATTORNEY DIEGO BUSTAMANTE AND HEAD OF QUITO WATER WORKS.

4. RIDLEY SUBSEQUENTLY DESCRIBED MEETING AS HAVING PRODUCED QUOTE RELAXING NEWS UNQUOTE. MAYOR WAS RELUCTANT TO RAISE ISSUE OF INCREASED COST SHARING AT THIS TIME, SAYING THAT POLITICAL ATMOSPHERE WAS NOT PROPITIOUS. HE SUGGESTED THAT FURTHER DISCUSSION TAKE PLACE IN APPROXIMATELY 60 DAYS, AFTER PROJECT SHOWS MORE PROGRESS. MAYOR PERSONALLY COMMITTED HIMSELF TO SEEKING AN EQUITABLE SOLUTION, E.G. SHARING TO SOME DEGREE CEBOR'S COST OVERRUN. HE DISCUSSED WITH RIDLEY THE POSSIBILITY OF MODIFYING RECENT GOE DECREE (REFTEL, PARA. 6) TO ALLOW MUNICIPALITY TO ABSORB ADDED COSTS.

5. RIDLEY AGREES WITH POSTPONEMENT OF DISCUSSIONS. PRIOR TO DEPARTING QUITO JULY 10, HE TOLD EMBOFF HE WAS CONVINCED OF MAYOR'S GOOD FAITH. CEBOR WILL NOW PROCEED RAPIDLY WITH CONSTRUCTION AND HOPE TO MOVE AHEAD OF SCHEDULE SO THAT PROMISE OF AVAILABILITY OF WATER BEFORE CONTRACT DEADLINE WILL PROVIDE MAYOR WITH GOOD ARGUMENT WHEN HE LATER RAISES ISSUE OF COST SHARING.

6. RIDLEY APPEARED GENUINELY PLEASED WITH RESULTS OF MEETING, AND ALTHOUGH NO SOLUTION WAS REACHED, WE BELIEVE A MUTUALLY SATISFACTORY COMPROMISE IS POSSIBLE.

7. ACTION REQUESTED: OUR REQUEST FOR INTERCESSION WITH LIMITED OFFICIAL USE

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PAGE 03 QUITO 04567 111432Z

WESTINGHOUSE STILL STANDS. WOULD ALSO APPRECIATE DEPARTMENT'S BRINGING THIS MATTER TO ATTENTION U.S. IDB DIRECTOR, REPEATING BACKGROUND ALONG LINES PARA 5 REFTEL. BREWSTER

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Message Attributes

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